

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION**

IN RE:	§	CHAPTER 11
	§	
SEA GIRT LLC and	§	CASE NO. 21-30085-11
	§	CASE NO. 21-30080-11
THE NATIONAL RIFLE ASSOCIATION	§	
OF AMERICA,	§	Joint Administration Requested
	§	
DEBTORS.	§	
	§	

**DECLARATION OF SONYA B. ROWLING
IN SUPPORT OF CERTAIN FIRST DAY MOTIONS**

1. My name is Sonya B. Rowling. I am the Director of Accounting Operations and Financial Reporting at the National Rifle Association of America (the “NRA” or the “Association”).

2. I have served in this role since approximately 2006, and served in other Financial Services roles from 1999 through approximately 2006. As part of my job, I am involved in overseeing all accounting operations and financial reporting for the NRA and am, therefore, personally familiar with the topics discussed in this Declaration.

3. In my role, I do not oversee the accounting operations or financial reporting for the Institute of Legislative Action (“ILA”). Therefore, my declaration does not pertain to ILA. I understand that these topics as they pertain to ILA are covered in a separate declaration being filed contemporaneously with the Debtors’ First Day Motions.

4. Unless otherwise noted, I have personal knowledge of all matters stated herein. I submit this declaration in support of the Debtors’ (i) *Emergency Motion for Interim and Final Orders (I) Prohibiting Utilities from Altering, Refusing or Discontinuing Services on Account of*

Pre-petition Invoices, (II) Approving Procedures for Providing Adequate Assurance of Post-petition Payments, and (III) Approving Debtor's Proposed Form of Adequate Assurance (the "Utilities Motion"); (ii) Emergency Motion for Interim and Final Orders Authorizing the Debtors to Pay Certain Pre-Petition Taxes (the "Taxes Motion"); (iii) Emergency Motion for Authority to Continue Use of Existing Cash Management System, Maintain Existing Bank Accounts, and Continue Use of Existing Business Forms (the "Cash Management Motion"); and (iv) Emergency Motion for Interim and Final Orders Authorizing Payment of Pre-petition Employee Wages, Compensation, and Employee Benefits And Granting Related Relief (the "Wages Motion").

A. The Utilities Motion

5. I reviewed the Utilities Motion and am familiar with the relief it seeks.

6. I reviewed Exhibit B to the Utilities Motion. Exhibit B is a schedule of all Utilities currently providing service to the NRA.¹

7. In the ordinary course of business, the NRA uses gas, water, electric, telephone, and other Utility services, which are provided by various utility providers. Of course, uninterrupted utility services are critical to the NRA's ability to maintain its ongoing operations. As of the Petition Date, the NRA is current on all prepetition utility payments.

B. The Taxes Motion

8. I reviewed the Taxes Motion and am familiar with the relief it seeks.

9. Although the NRA is exempt from federal income taxes under Section 503(c)(4) of the Internal Revenue Code, in the ordinary course of business, the NRA collects, incurs, and pays

¹ Capitalized terms not defined herein have the same meaning as those terms defined in the underlying motions.

certain sales and use taxes, real estate and property taxes, amusement taxes, state unemployment taxes, and various other governmental taxes, fees, and assessments (collectively, the “Taxes”). The NRA remits the Taxes to various federal, state, and local governmental units (collectively, the “Taxing Authorities”). The NRA believes it is current on the payment of all Taxes owed to the Taxing Authorities but certain Taxes relating to prepetition periods will come due during the NRA’s bankruptcy proceedings. It is estimated that approximately \$266,000 of these Taxes will become due during the interim period between the Petition Date and the date of the final hearing on the Taxes Motion.

10. The amount listed above is believed to be accurate. However, should an audit reveal any discrepancies, they could result in additional prepetition Taxes being owed.

11. The NRA generally incurs state and local sales, use, and property taxes related to, among other things, sales taxes incurred in connection with (i) sales via the NRA Store and (ii) real and personal property taxes related to the NRA headquarters in Fairfax, Virginia. State sales taxes incurred by the NRA are paid to each state taxing authority on a monthly basis for the preceding month. Although the NRA is current on prepetition sales tax obligations, taxes for the month of December become due in various states on January 20, 2021. The approximate total amount of all sales taxes due prior to the end of January 2021 is \$266,000.

12. The NRA’s average monthly aggregate sales tax obligation is approximately \$200,000. Sales taxes for January 2021, including the period prior to the Petition Date, will come due in late February 2021. I expect that the sales tax obligations in February will be roughly equal to their monthly average of \$200,000.

13. The NRA is also subject to certain excise taxes related to employee compensation and fees related to the filing of certain tax returns. In addition, the NRA pays a “Special

Occupational Tax” to the Bureau of Alcohol, Tobacco, and Firearms in connection with certain firearm regulations. My understanding is that the NRA is current on these and all other tax obligations, including property taxes.

14. Payment of the prepetition Taxes in the ordinary course of business is critical to the NRA’s ongoing operations. Failure to timely pay the Taxes could cause the Taxing Authorities to conduct audits, assert liens, file motions for relief from the Court, and assess penalties and interests, each of which would unnecessarily consume estate resources and divert the NRA’s attention from its efforts to reorganize. All parties in interest will benefit from the efficient and timely payment of the Taxes and resolution of the Taxing Authorities’ claims.

15. The NRA collects and withholds certain of the Taxes on behalf of the applicable Taxing Authorities. Those Taxes are held in trust by the NRA for the benefit of the Taxing Authorities.

16. For the reasons set forth in the Taxes Motion, payment of the Taxes is critical to the NRA’s ability to continue operating.

C. The Cash Management Motion

17. I reviewed the Cash Management Motion and am familiar with the relief it seeks.²

18. I reviewed Exhibit B to the Cash Management Motion. It is a schedule of all existing NRA bank accounts.

19. In the ordinary course of business, the NRA uses a cash management system and various bank accounts to (i) collect and transfer the funds generated by the NRA’s operations, and (ii) disburse funds to satisfy the NRA’s financial obligations. The NRA generates revenue

² As alluded to above, the NRA – ILA maintains its own bank accounts and cash management system, which are separate from the rest of the NRA and are not the subject of my declaration. However, they are discussed, as I understand it, in a separate declaration being filed contemporaneously with first day motions.

through, among other things, membership dues and contributions, fund raising, events, training programs, sales of merchandise, sponsorships, and advertising, and operation of a museum and firing range at the NRA headquarters in Fairfax, Virginia.

20. The NRA's operations are also periodically funded by two revolving lines of credit, issued by Atlantic Union Bank ("AUB"). The NRA's primary banking relationship is with AUB. As part of the Cash Management System, the NRA maintains accounts at AUB, and the NRA's operations are generally funded through a master account (the "General Fund") that is used as a cash concentration account for all deposits. The General Fund is linked to four zero balance collections and disbursement accounts related to specific operations and revenue streams, including (i) a payroll account, from which all payroll is funded, (ii) a general disbursement account, through which NRA payables are processed, (iii) an NRA Store account, into which revenue from the NRA Store is deposited, and (iv) a membership account, into which membership dues and revenue are deposited (collectively, the "Zero Balance Accounts"). Funds held in the Zero Balance Accounts are swept into the General Fund daily.

21. The NRA also maintains two loan sweep accounts (the "Loan Sweep Accounts") at AUB in connection with its available lines of credit. Funds drawn on the lines of credit are deposited into the applicable Loan Sweep Account and swept into the General Fund. Likewise, the NRA pays down the lines of credit by depositing funds from the General Account into the corresponding Loan Sweep Account. Funds are swept by AUB and applied to the outstanding balance on the lines of credit.

22. The NRA also maintains several single purpose accounts at various banks related to revenue generated from events held throughout the country. These accounts are located at Wells Fargo, InBank, Commerce Bank, Huntington National Bank, and PNC. Generally, revenue

generated through registration and other activities at such events are deposited into the specific account connected with the event, and the funds are then transferred by the NRA's financial personnel to the General Fund. The NRA also maintains a general account at Chain Bridge Bank. In addition, the NRA had to create a dedicated OFAC account at AUB in connection with a foreign donation or donations, although this account is not currently in use.

23. In the course of maintaining its Existing Bank Accounts, the NRA incurs certain banking fees at the various banks at which the Existing Bank Accounts are located. The amount of such fees depends on monthly banking activity. As of the Petition Date, the NRA is current on all such monthly fees.

24. A substantial portion of the NRA's revenue consists of individual membership dues and contributions, many of which are paid electronically via credit and debit cards. These credit and debit card transactions are processed by Chase Paymentech ("Card Processor") via a credit card processing system (the "Credit Processing System") under the terms of a Select Merchant Payment Instrument Processing Agreement (the "Merchant Services Agreement"). As credit and debit card transactions are processed via various points of sale, the Card Processor remits the funds from those transactions, net of its transaction fee under the Merchant Services Agreement, via daily settlements deposited into certain of the NRA's Existing Bank Accounts, which are then swept into the corresponding NRA or ILA operating account (i.e., the NRA General Fund or the primary ILA operating account). The Credit Processing System and the revenue received via credit and debit card transactions is critical to the NRA's ability to continue operating, and any disruption in this revenue stream would be extremely detrimental to the NRA's reorganization efforts.

25. In the ordinary course of the NRA's business, it utilizes various business forms, including purchase orders, invoices, and letterhead.

26. I believe that, in the absence of the relief requested in the Motion, the NRA's cash management system will be disrupted unduly, and the NRA will be forced to incur unnecessary expenses.

D. The Wages Motion

27. I have reviewed the Wages Motion and am familiar with the relief it seeks.

28. The NRA reimburses certain business-related expenses incurred by employees in the scope of their employment. Some such expenses were incurred but not yet reimbursed as of the Petition Date (collectively, the "Reimbursable Expenses"). Reimbursable Expenses generally relate to business travel, transportation, lodging, meals, cell phones, supplies, and other miscellaneous expenses incurred during employees' normal business activities. The NRA's employees incur such expenses in reliance upon the understanding that such expenses will be reimbursed. Failure to reimburse employees for the Reimbursable Expenses would impact employee morale and potentially cause them financial hardship.

29. In order to be reimbursed, NRA employees are required to submit receipts and expense reports for qualifying Reimbursable Expenses to the appropriate personnel for review and approval. Upon approval, Reimbursable Expenses are processed as part of the NRA's ordinary course accounts payable process.³ It is estimated that, as of the Petition Date, the NRA's obligation to employees on account of Reimbursable Expenses—not counting ILA—is approximately \$6,000. Additional Reimbursable Expenses may have been incurred but not reported as of the Petition Date.

³ Reimbursable Expenses are submitted, reviewed, and approved periodically on a rolling basis and are paid through the NRA's accounts payable process.

30. Pursuant to 28 U.S.C. §1746, I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge and belief.

Dated: January 19, 2021

/s/ Sonya B. Rowling
Sonya B. Rowling